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Viewing cable 09BERN350, SWISS REACTION TO UBS AGREEMENT \

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Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#09BERN350**.

Reference ID	Created	Released	Classification	Origin
09BERN350	2009-08-20 15:10	2011-08-30 01:44	CONFIDENTIAL	Embassy Bern

Appears in these articles:

http://www.letemps.ch/swiss_papers

VZCZCXYZ0000
RR RUEHWEB

DE RUEHSW #0350/01 2321510
ZNY CCCCC ZZH
R 201510Z AUG 09
FM AMEMBASSY BERN
TO RUEHC/SECSTATE WASHDC 6015
INFO RHMFISS/DEPT OF JUSTICE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

2009-08-20 15:10:00 09BERN350 Embassy Bern CONFIDENTIAL 09BERN68 VZCZCXYZ0000\
RR RUEHWEB\
\

DE RUEHSW #0350/01 2321510\
ZNY CCCCC ZZH\
R 201510Z AUG 09\
FM AMEMBASSY BERN\
TO RUEHC/SECSTATE WASHDC 6015\
INFO RHMFISS/DEPT OF JUSTICE WASHINGTON DC\
RUEATRS/DEPT OF TREASURY WASHINGTON DC\
C O N F I D E N T I A L BERN 000350 \
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SIPDIS \
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DEPT OF JUSTICE FOR B.SWARTZ, \
L/EB FOR K.KIZER AND W.TEEL \
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E.O. 12958: DECL: 08/19/2019 \
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TAGS: [ECON](#) [EFIN](#) [PREL](#) [SZ](#)

SUBJECT: SWISS REACTION TO UBS AGREEMENT \

REF: BERN 68 \

Classified By: DCM L.Carter for reasons 1.4(b) and (d). \

¶1. (C) Summary. President and Finance Minister Hans-Rudolf Merz, Justice Minister Eveline Widmer-Schlumpf, and Foreign Affairs Minister Micheline Calmy-Rey in an August 19 press conference praised the UBS agreement as the only possible solution and a "Peace Treaty." The Ministers were quick to limit the reach of the agreement to UBS only, although the Justice Minister recognized the agreement could open the door for similar requests from other Swiss banks if those banks committed similar egregious acts like UBS. Media commentators and political pundits covered a range of opinions from declaring the agreement a true victory for the U.S. to an absolute win for Switzerland. Unlike the media, local business leaders and the Swiss Bankers Association universally expressed relief that the UBS case was resolved. The UBS case had been a dark cloud over bilateral relations, with concerns it could escalate to a seriously damaging event similar to the Holocaust asset case a decade ago. Current Swiss opinion indicates, however, that the agreement will mollify all but the most anti-American voices and leave our bilateral relations relatively unscathed. End Summary. \

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FEDERAL COUNCILLORS PRAISE RESOLUTION, GOOD BILATERAL \

RELATIONS \

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¶2. (U) President and Finance Minister Hans-Rudolf Merz, Justice Minister Eveline Widmer-Schlumpf, and Foreign Affairs Minister Micheline Calmy-Rey discussed the resolution of the UBS case in a press conference on August 19. Widmer-Schlumpf touted the bilateral agreement as the only possible solution. She commented that it was necessary to preserve the Swiss legal system against the unilateral enforcement of US regulations, which could include freezing UBS' US-based assets. Calmy-Rey called the agreement a "Peace Treaty" and praised the good Swiss connections with the US for making the agreement possible. While President Merz emphasized that the agreement only applied to the specific case of UBS, Widmer-Schlumpf countered that the tax treaty language "tax fraud and the like" coupled with the recently adopted OECD standards for administrative assistance could open the door for similar requests for information from other Swiss banks if those banks had committed similar egregious acts like UBS. President Merz, who previously expressed regret at UBS' unacceptable actions (reftel), appealed to Swiss banks to respect U.S. laws and the Qualified Intermediary regulations. \

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NO CLEAR TREND IN MEDIA OPINIONS \

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¶3. (U) Media commentators and political pundits covered a range of opinions from declaring the agreement a true victory for the U.S. to an absolute win for Switzerland. Neither the political persuasion of the papers nor the region of the country defined a clear Swiss opinion about the effects of the agreement. Newspaper articles ranged from claiming the broader interpretation of "tax fraud and the like" in the tax agreement was the "last nail in the coffin of banking secrecy" to citing legal experts that announced Switzerland had been the clear winner because Switzerland's legal procedures had not been compromised. Another paper took a completely different approach arguing that even though the agreement was the only tenable solution, it placed undue pressure on Switzerland's governmental system of separation of powers between the Federal Council and the Tax Administration Court. \

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BUSINESS RELIEVED BY AGREEMENT \

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14. (C) Unlike the media, business leaders universally \
expressed relief that the UBS case was resolved. Swiss \
American Chamber of Commerce CEO Martin Naville told econoff \
that the agreement was a positive outcome for two reasons: 1) \
the agreement was signed under a partnership spirit without \
the adversarial tone expressed in previous months; and 2) the \
exchange of information will be in accordance with the double \
taxation treaty. He highlighted that political will to \
ratify the recently revised treaty would not exist if the IRS \
did not conform to the requirements of the original treaty. \
Naville expected there to be some domestic policy noise about \
Switzerland relinquishing its sovereignty and its tradition \
of bank secrecy, but these opinions would not cloud the \
positive impact of the resolution. \

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15. (C) Thomas Pletscher, Executive Board Member of \
EconomieSuisse, Switzerland's largest umbrella organization \
for Swiss business and industry, echoed Naville's sentiments \
calling the agreement a "relief." Pletscher stated that the \
overall industry response had been positive. He told econoff \
that a long drawn out court case posed "a danger of \
overshadowing" and "seriously damaging" otherwise good \
bilateral relations. In addition, the agreement established \
a procedure to avoid a clash of the two countries' legal \
frameworks. Pletscher was not concerned about the agreement \
breaching Switzerland's banking secrecy. He stated that the \
agreement marked the "end of Hollywood's version of banking \
secrecy" which was always an inaccurate portrayal. Banking \
secrecy was designed to protect individual privacy, not to \
hide criminal conduct. \

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16. (C) The Swiss Bankers Association's Head of U.S. Affairs \
Heinreich Siegmann reiterated the relief that the complicated \
matter had been resolved amicably and within the Swiss legal \
framework. Siegmann informed econoff that maintaining the \
stability of Swiss law was crucial to the continuing success \
of the Swiss financial center. \

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COMMENT \
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17. (C) Post expects that the UBS case will provide the \
Swiss media fodder for claiming the U.S. bullied Switzerland \
into an agreement that marks the demise of banking secrecy, a \
national heritage. However, Swiss government and business \
leaders generally view the agreement as a mutual compromise \
that protects Swiss sovereignty while enabling the U.S. to \
enforce its tax laws. The UBS case was a dark cloud over \
bilateral relations, with concerns it could escalate to a \
seriously damaging event similar to the Holocaust asset case \
a decade ago. Current Swiss opinion indicates, however, that \
the agreement will mollify all but the most anti-American \
voices and leave our bilateral relations relatively unscathed. \
BEYER \